

# City of Detroit

## CITY COUNCIL

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ANNE MARIE LANGAN  
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(313) 224-1078

TO: Thomas J. Lijana, Group Executive  
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 27, 2010

RE: 2010-2011 Budget Analysis

ly.

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, April 30, 2010 at 11:00 am**. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pamela Scales, Budget Department Director  
Ron Chenault, Budget Manager I  
Kamau Marable, Mayor's Office

## Finance Department (23)

### FY 2010-2011 Budget Analysis by the Fiscal Analysis Division

#### Summary

The Finance Department is a general fund agency. The recommended 2010-2011 budget appropriations total \$44.0 million. The department's net tax cost is \$34.2 million, which is \$2.8 million higher than the current year's net tax cost.

The Mayor recommends a net decrease of 25 positions.

#### 2009-2010 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with a \$3.7 net surplus that is due to a \$2.8 million appropriation surplus because of departmental vacancies and the pension division and a \$0.9 million unspecified revenue deficit.

#### Overtime

The department has an overtime budget of \$897,828 in the current fiscal year. Through March 31, 2010, the department has spent \$481,025 in overtime, or 53.6% of the budget. This leaves \$416,803 remaining for the current year.

For 2010-2011 the recommended budget for overtime is \$1,103,359, an increase of \$205,531, or a 22.9% increase.

#### Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009- 10</u>	<u>Filled Positions 3/31/2010</u>	<u>Mayor's Budget Positions FY 2010- 11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>	<u>Mayor's Recommended Turnover</u>
<b>Finance Department (23)</b>					
<b>00058 Administration</b>	<b>4</b>	<b>15</b>	<b>5</b>	<b>11</b>	<b>\$ -</b>
<b>00060 Assessments Division</b>	<b>61</b>	<b>56</b>	<b>56</b>	<b>(5)</b>	<b>\$ -</b>
<b>00061 Purchasing Division</b>	<b>16</b>	<b>21</b>	<b>21</b>	<b>5</b>	<b>\$ -</b>
230070 Treasury	53	56	44	3	\$ -
230075 Debts and Disbursements	6	5	6	(1)	\$ -
<b>00063 Treasury Division</b>	<b>59</b>	<b>61</b>	<b>50</b>	<b>2</b>	<b>\$ -</b>
230020 Project Administration	3	4	3	1	\$ -
230030 Accounts Payable	13	15	14	2	\$ -
230060 Payroll Audit	16	17	15	1	\$ -
230090 Debt Management	0	0	0	0	\$ -
230100 Risk Management	15	17	23	2	\$ -
230130 General Accounting	24	16	20	(8)	\$ -
230145 Grants Management	3	0	3	(3)	\$ -
<b>00245 Accounts Division - Admin.</b>	<b>74</b>	<b>69</b>	<b>78</b>	<b>(5)</b>	<b>\$ -</b>

<b>00246 Accts.-Pension &amp; Employee Ben.</b>	<b>44</b>	<b>39</b>	<b>35</b>	<b>(5)</b>	<b>\$</b>	<b>-</b>
<b>00247 Accts.-City Income Tax Oper.</b>	<b>48</b>	<b>55</b>	<b>44</b>	<b>7</b>	<b>\$</b>	<b>-</b>
<b>00832 Departmental Accounting Oper.</b>	<b>34</b>	<b>29</b>	<b>30</b>	<b>(5)</b>	<b>\$</b>	<b>-</b>
<b>00982 DRMS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$</b>	<b>-</b>
<b>230025 Targeted Business Development</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>(2)</b>	<b>\$</b>	<b>-</b>
23XXXX Unmatched	0	0	0	0	\$	-
23XXXX Worker's Comp	0	(1)	(1)	(1)		
23XXXX Leave of Absence	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>\$</u>	<u>-</u>
<b>TOTAL</b>	<b><u>344</u></b>	<b><u>349</u></b>	<b><u>318</u></b>	<b><u>5</u></b>	<b><u>\$</u></b>	<b><u>-</u></b>

The Mayor recommends a net decrease in positions of 25 as detailed by Cost Center in the following table.

Position Changes by Cost Center

<u>Appropriation/Program</u>	<u>Recommended Position Changes</u>	
<b>Finance Department (23)</b>		
<b>00058 Administration</b>		
<b>230010 Administration</b>		
Executive Assistant to the Mayor I	1	
<b>Total</b>		<b>1</b>
<b>00060 Assessments Division</b>		
<b>230120 Assessment</b>		
Appraiser III	1	
Appraiser II	(2)	
Appraiser I	(2)	
Senior Stenographer	(1)	
Principal Clerk	(1)	
Office Assistant III	(1)	
Principal Clerk	1	
<b>Total</b>		<b>(5)</b>
<b>00061 Purchasing Division</b>		
<b>230080 Purchasing</b>		
Purchasing Director	(1)	
Principal Purchasing Agent	2	
Purchases Agent III	2	
Executive Assistant to the Mayor V	1	
Head Clerk	1	
<b>Total</b>		<b>5</b>
<b>00063 Treasury Division</b>		
<b>230070 Treasury</b>		
Manager I - Finance	(1)	
Senior Accountant	(1)	
Executive Secretary I	(1)	
Revenue Collector	(2)	
Principal Clerk	(1)	
Senior Clerk	(1)	

Office Assistant III	(2)	
Clerk	(2)	
Office Assistant I	(1)	
Principal Clerk Pension	1	
Principal Accountant	2	
<b>Total</b>		<b>(9)</b>
<b>00245 Accounts Division - Admin.</b>		
<b>230030 - Accounts Payable</b>		
Principal Accountant	(1)	
Senior Accountant	1	
Principal Clerk	1	
<b>Total</b>		<b>1</b>
<b>230060 - Payroll Audit</b>		
Business System Support Specialist	(1)	
Payroll Audit Clerk	(1)	
Office Assistant I	1	
<b>Total</b>		<b>(1)</b>
<b>230100 - Risk Management</b>		
Worker Compensation Specialist	6	
Safety Officer	(1)	
Worker Compensation Manager	1	
Office Assistant III	1	
Voucher Audit Clerk	1	
<b>Total</b>		<b>8</b>
<b>230130 - General Accounting</b>		
Manager II - Finance	(1)	
Administrative Assistant Grade II - Finance	(1)	
Principal Accountant	(2)	
Senior Accountant	(1)	
Administrative Specialist I	1	
<b>Total</b>		<b>(4)</b>
<b>00246 Accts.-Pension &amp; Employee Ben.</b>		
<b>230040 - Pension</b>		
Senior Accountant - Pension	1	
Principal Governmental Analyst - Pension	(1)	
Head Clerk - Pension	(1)	
Principal Clerk - Pension	(2)	
Senior Clerk - Pension	(4)	
Senior Stenographer - Pension	(1)	
Clerk - Pension	1	
Office Assistant - Pension	(2)	
<b>Total</b>		<b>(9)</b>
<b>00247 Accts.-City Income Tax Oper.</b>		
<b>230110 - Accounts - City Income Tax Oper.</b>		
Senior Accountant	(2)	
Income Tax Investigator	(1)	
Clerk	(4)	
Office Assistant II	2	
Office Assistant III	1	
<b>Total</b>		<b>(4)</b>
<b>00832 Departmental Accounting Oper.</b>		
<b>230050 - Departmental Accounting</b>		

**Oper.**

Principal Accountant	(1)	
Senior Accountant	(2)	
Accountant I	(1)	
Office Assistant III	(1)	
Office Assistant II	1	
<b>Total</b>		<b>(4)</b>

**11859 Targeted Business Development****230025 - Targeted Business Development**

Director of Targeted Business Development	(1)	
Business Analyst	(1)	
Business System Support Specialist	(1)	
Executive Secretary II	(1)	
<b>Total</b>		<b>(4)</b>

**TOTAL** (25)

**Budgeted Professional and Contractual Services by Activity****Finance (23)**

Budgeted Professional and Contractual Services by Activity	FY 2009-10 Budget	FY 2010-11 Recommended	Increase (Decrease)
Administration	\$ 1,000,000	\$ 500,000	\$ (500,000)
Assessments	895,104	900,249	5,145
Purchasing	-	-	-
Treasury	281,500	265,000	(16,500)
Accounting Operations	2,574,219	6,342,669	3,768,450
Income Tax Operation	200,000	100,050	(99,950)
Pension & Employee Benefits	<u>3,034,982</u>	<u>2,554,206</u>	<u>(480,776)</u>
<b>Total</b>	<b><u>\$ 7,985,805</u></b>	<b><u>\$ 10,662,174</u></b>	<b><u>\$ 2,676,369</u></b>

**Significant Funding Changes**

The Contractual Services accounts are increasing by \$2.7 million from \$8.0 million to \$10.7 million, a 33.52% increase.

**Issues and Questions**

1. When the Council staff was introduced to the Office of Restructuring or the "OR Room" initiative they were informed that over 700 different services were identified as being provided by the city to citizens. Provide to Council, in your priority order, the services performed by the Finance Department that are included in the OR Room listing. Include the basis for the Finance Department providing each listed service, such as, charter, state statute, etc., and what other

options exist to provide the service if the Finance Department were to discontinue providing the service.

2. For the appointed positions included in the 2010-11 Mayor's Recommended Budget for the Finance Department indicate which positions have a city vehicle assigned, receive a vehicle stipend, or are paid mileage in the current fiscal year. What will be the situation during the 2010-11 fiscal year?
3. Thus far, in the current year, the department appears to be managing overtime as after 75% of the year has passed, only 53% of the overtime budget has been expended. Is there some special activity during the last quarter of the fiscal year that will cause an increase in overtime expenditures? Assuming that there is not going to be an increase in overtime usage in the current year, explain the increase in overtime included in the recommended budget of \$205,531, or 22.9% increase.
4. Explain the increase in professional and contractual services of \$2.7 million in the budget, more than a 33% increase in this group of accounts.
5. A position of Executive Assistant to the Mayor I is proposed to be added to the Administration Division. Explain the rationale and authority that allows adding an additional appointive position in the Finance Department.
6. In the Purchasing Division, the title of Purchasing Director (Charter required position) is removed in the recommendation, while the title of Executive Assistant to the Mayor V, an appointive position is added. Explain the authority that allows this substitution of titles, and the addition of an appointive title to the Finance Department.
7. In the Treasury Division, two Revenue Collector positions are removed. Considering the emphasis placed on the collection of outstanding revenue owed to the City in the Administration's Deficit Reduction Plan, why are these positions being removed?
8. In the Treasury Division, explain the addition of the position, Principal Clerk – Pension. What need does the Treasury Division have for a "pension" specialty position?
9. On page 23-6 of the Executive Budget the following statement is made. "An estimated \$1.4 B of Assessed Value is in valuation litigation in the Full Michigan Tax Tribunal." Is this a typical amount of valuation litigation for the City of Detroit? What is the potential revenue loss to the City if these cases are decided against the City? What is the cost to the City to defend against these cases? What improvements to the assessment/tax process would reduce the amount of tax litigation?
10. The Finance Department staff is involved in the development and implementation of major systems for the City, including a Human Resources Management and Payroll System, and a cash management system. Provide Council with an update on the progress of the implementation of these systems. What is the anticipated completion of the implementation of the systems? What is the

anticipated cost to complete these projects? What cost reductions, service improvements, or enhanced revenue collections are expected from the systems?

11. The current budget for 2009-10 included \$1.0 million in the Administration appropriation for contractual services targeted for re-engineering studies. The recommended budget reduces this amount to \$.5 million, a 50% reduction. How was the \$1.0 million used in the current year? What amount of savings resulted from the re-engineering studies conducted in the current year? What specific areas is the \$.5 million in the current recommendation targeted at?
12. Has the Finance Department administration considered utilizing an afternoon shift in certain areas of the agency in order to process and record daily transactions? This would be similar to banks and other businesses. The goal would be to review the daily transactions, verify and record, or investigate and correct while the information is still fresh, minimizing reconciliation problems. The current practice allows transactions to back up and then they are processed in a batch-type manner, many days later.
13. As a cost-reducing proposal has the subject of "piggybacking" our income tax form onto the state's form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
14. Both Federal and State Income Taxes can be filed electronically on-line. Is the City moving in that direction? When might citizens expect on-line submission of City Income Tax forms to be available? Would working with the State on a combined tax form as stated above, have the potential to facilitate electronic filling at a minimal cost?
15. What accomplishments can you tell Council about concerning the Targeted Business Development program? How many Targeted Business Policy Board meetings have been held this fiscal year? What results can you report to Council? Has a policy statement been developed and adopted? Does this represent a core service that the City can afford to maintain, or should elimination be considered rather than the transfer of the activity to the Planning and Development Department?
16. What new or updated Finance Director Directives have resulted from the release of the latest CAFR and management letter? Shouldn't this be one of the outcomes from the use of outside firms to assist the City in the recording and completion of the financial statement in preparation of the audits? Wouldn't new and updated Finance Directives improve the ability of the City staff to consistently enter transactions and prepare financial statements with the intention of reducing the need for outside contracts?
17. In the recommended budget the revenue for the Pension Division is \$7,390,807 and the appropriations are \$7,320,284, or revenues are \$70,523 greater than costs. Explain how the division generates revenues greater than costs. Explain the agreement between the Finance Department and the two retirement system boards on cost and reimbursement of cost for the Pension Division. Is there a written agreement? If so, provide a copy of the agreement for Council. What

sources of revenue do the retirement system boards use to cover the cost of the Pension Division?

18. Please update Council on the implementation of the Defined Contribution Retirement Plan. What specifically does the Finance Department understand as preventing its implementation?
19. What is the status of the acquisition/construction of a building for the Retirement Systems? What is the current estimate or timetable for relocation of the Pension Office from the Coleman A. Young Municipal Building to a new location?
20. What amount of stimulus funding has been granted to the City of Detroit directly? How much of the stimulus funding has been recorded in the financial reporting system? Provide Council with a set of financial reports from the system that shows the amount of stimulus funds spent to date. What is the deadline for expenditure of the stimulus funding? Identify any challenges the City faces in meeting the deadline for expenditure of stimulus funds.
21. How many automated systems remain in use throughout the city that do not directly share data with the financial reporting system? How many of these systems should be tied into the financial reporting system? What is the Finance Department's plan to address this concern?